GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1868
ANSWERED ON:26.07.2002
IMPACT OF INDO-PAK TENSION ON INDIAN ECONOMY
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Will the Minister of FINANCE be pleased to state:

(a) Whether the Centre for Monitoring Indian Economy (CMIE) has observed an adverse impact on the country`s economy due to the stand-off between Indian and Pakistan;

(b) if so, the reaction of the Government on the said observation; and

(c) the sectors of the economy which have been showing a declining trend?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI ANANT G. GEETE)

(a) Yes Sir. The Centre for Monitoring Indian Economy (CMIE) in its latest monthly review of Indian economy (June 2002) has mentioned that political and military posturings by India and Pakistan have vitiated the economic environment in the subcontinent thus affecting the investment climate in the region. Such political belligerence may adversely affect trade and investment in India thus impacting upon broad economic parameters like the Gross Domestic Product, Current Account Deficit and Gross Fiscal Deficit.

(b) There are no reasons for undue concerns regarding the prospects of the Indian economy. The Reserve Bank of India has projected a 6-6.5 per cent growth rate for the economy in 2002-03. Various multilateral institutions (e.g. World Bank, IMF, ADB and the UN) have projected growth rates between 5.5-6 per cent for the Indian economy in the current year. Overall growth is expected to pick up due to sustained growth in agriculture and services sectors.

(c) Contrary to CMIE`s observations, industrial production, infrastructure performance and non-food credit offtake from commercial banks are showing noticeable improvements in the current year. Overall industrial growth improved from 2.1 per cent in April-May 2001 to 3.8 per cent in April-May 2002. Six core and infrastructure industries (electricity generation, coal, steel, crude oil, refinery throughput and cement) have grown by 5.7 per cent in April-June 2002 compared to 1.2 per cent in April-June 2001. Non-food credit offtake is also estimated to have grown by 9.7 per cent in the current year (March 22-June 14, 2002) compared with a decline by 0.8 per cent in the same period of the previous year.